8023875
S/S-Bremer
RF

SECRET

EXCISE

(3)

DECLASSIFIED

POLAND

Our interests in Poland derive from Poland's central role in European security, our desire to encourage pluralistic trends within Eastern Europe and a humanitarian concern for the Polish people, most of whom have relatives in the United States. All these interests are best served in the current situation by the return of calm and stability within Poland that will enable the political gains of the Polish workers and the new element of pluralism represented by their union, Solidarity, to be preserved. That return to stability, however, is complicated by the deterioration of the Polish economy and, in particular, a $21 billion hard-currency debt, that make it difficult for the government to meet the demands of workers for higher wages and the needs of the people for food.

Although tensions eased last week after the Supreme Court's decision which resolved the Solidarity registration issue, the political situation remains tense and the economic prospects bleak. Party First Secretary Kania, Cardinal Wyszynski and Solidarity leader Walesa seem agreed on the need to cooperate--almost in a popular front--to get the country back on its feet, institutionalize the systemic changes of the past few months, and ward off Soviet intervention. Walesa, however, is facing dissension within the union's ranks, while Kania is facing pressure from the Soviets and, more importantly, from within his own Party. They are all faced with the sine qua non of putting the country's economic house in order. This will require a combination of internal economic reform, greater productivity and outside financial assistance which will enable the purchase of sufficient food this winter and the payment of $6 billion in debt services next year.

In the past month Poland has requested substantial economic assistance from its principal Western creditors, the FRG, France, the UK, Austria, Italy, the United States and others. Its request to us consists of: (a) $3 billion in concessional credits; (b) an "easing of terms" of credits coming due; (c) an additional $200 million in CCC; and (d) an increased fishing allocation.

While we believe a modest Western assistance package could give the Poles time to seek a new internal equalibrium, there is probably little that can be done to avert a rescheduling next year of Poland's hard-currency debt service.

SECRET
XDS-3, 11/19/00

DECLASSIFIED

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY AMBolster DATE 5/28/05
RDS [x] or XDS [ ] EXT. DATE
IS AUTH REASON(S)
ENDORSE EXISTING MARKINGS [ ]
DECLASSIFIED [ ] RELEASABLE [ ]
RELEASE DENIED [x] in part
PA or FOI EXEMPTIONS (b)(1)(a)(5)

B1 (a)(5)

DECLASSIFIED

EUR/EE:VSGray
x20575 11/19/80

SECRET

Clear:EUR/EE:PSBridges NB

DECLASSIFIED